

FISCAL NOTE
HB 3242 - SB 3238

March 13, 2000

SUMMARY OF BILL: Enacts the *Employer Health Insurance Responsibility Act of 2000* and provides that the primary source of health insurance should be an employer sponsored health insurance plan. Provides that it is a taxable privilege for an employer to conduct business without providing adequate health insurance coverage to employees and families. An employee or their family is not deemed as covered if they are enrolled in TennCare. Imposes a 1.5% tax on gross revenues of employers without health insurance coverage beginning with employers of 200 or more on January 1, 2001, employers of 100 or more on January 1, 2002 and employers of 25 or more on January 1, 2003.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$119,900 First Year
\$16,500 One-Time
\$239,800 Second Year
\$16,500 One-Time
\$671,900 Third and Subsequent Years
\$60,500 One-Time

Decrease State Expenditures - Exceeds \$360,000/TennCare

Increase State Revenues - \$28,300,000 First Year
\$36,700,000 Second Year
\$339,400,000 Third and Subsequent Years

Other Fiscal Impact – Decrease Federal Expenditures - Exceeds \$640,000/TennCare

Estimate assumes:

- A need for three positions and associated expenses in the Department of Commerce and Insurance in year one to regulate approximately 1,600 employers and collect the tax. A need for an additional three positions and associated expenses in the Department of Commerce and Insurance in year two to regulate an additional 1,500 employers. A need for 11 additional positions and associated expenses in the Department of Commerce and Insurance in year three to regulate an additional 12,000 employers.
- The tax on gross revenues for employers not providing health insurance coverage will come primarily from firms with 25 to 100 employees as these firms are less likely to provide insurance coverage.
- Some enrollees will leave the TennCare Program when they are enrolled in employer programs. The amount of savings cannot be determined but is estimated to exceed \$1,000,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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